



2016
INTEGRATED REPORT

INSTITUTE OF DIRECTORS IN
SOUTHERN AFRICA NPC



BETTER DIRECTORS / BETTER BOARDS / BETTER BUSINESS

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GET IN TOUCH

Feedback from our members and other stakeholders is essential for understanding the value that we create, and for identifying areas that we should improve. We have a dedicated feedback mechanism, and duly appreciate and value your feedback on our progress, strategy and reporting.

Please visit www.iodsa.co.za/?page=IntegratedReports to provide feedback to the IoDSA executive.

Phone: +27 11 035 3000
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 Indicates further information available online at www.iodsa.co.za

ABOUT OUR REPORT

This 2016 integrated report (report) of the Institute of Directors in Southern Africa NPC (IoDSA) covers the year 1 January to 31 December 2016. This report was prepared using the International Integrated Reporting Council's (IIRC) Integrated Reporting <IR> Framework as a guideline.

The report focuses on providing IoDSA's members and key stakeholders with a holistic view of our operations, performance, risks and opportunities. It covers our strategic priorities and objectives leading up to 2020. This report will be used for marketing, public relations, and new member/employee induction purposes.

The report was prepared considering our material matters. These are defined as those matters that are relevant and important, and could substantively influence our stakeholders' assessment of our ability to create value over the short, medium and long term.

BDO SA Inc. conducted an independent audit of our annual financial statements. We applied an internal management peer review approach to ensure the accuracy and completeness of the information in this report. The Audit and Risk Committee and the Board reviewed this report, with the final responsibility resting with the Board.

The Board of Directors applied its collective mind to ensure that all material matters are presented and that the report fairly represents the performance and practices of the IoDSA for 2016.



VENETE KLEIN
Chairman
20 April 2017




ANGELA CHERRINGTON
Chief Executive Officer

REPORTING SUITE

The integrated report is our primary communication regarding our performance and prospects. It includes summarised financial statements extracted from the full audited annual financial statements.

Integrated report 2016


www.iodsa.co.za/?page=IntegratedReports 

Annual financial statements 2016

www.iodsa.co.za/?page=AGM2017 

The following supplementary information is available online:

Remuneration policy

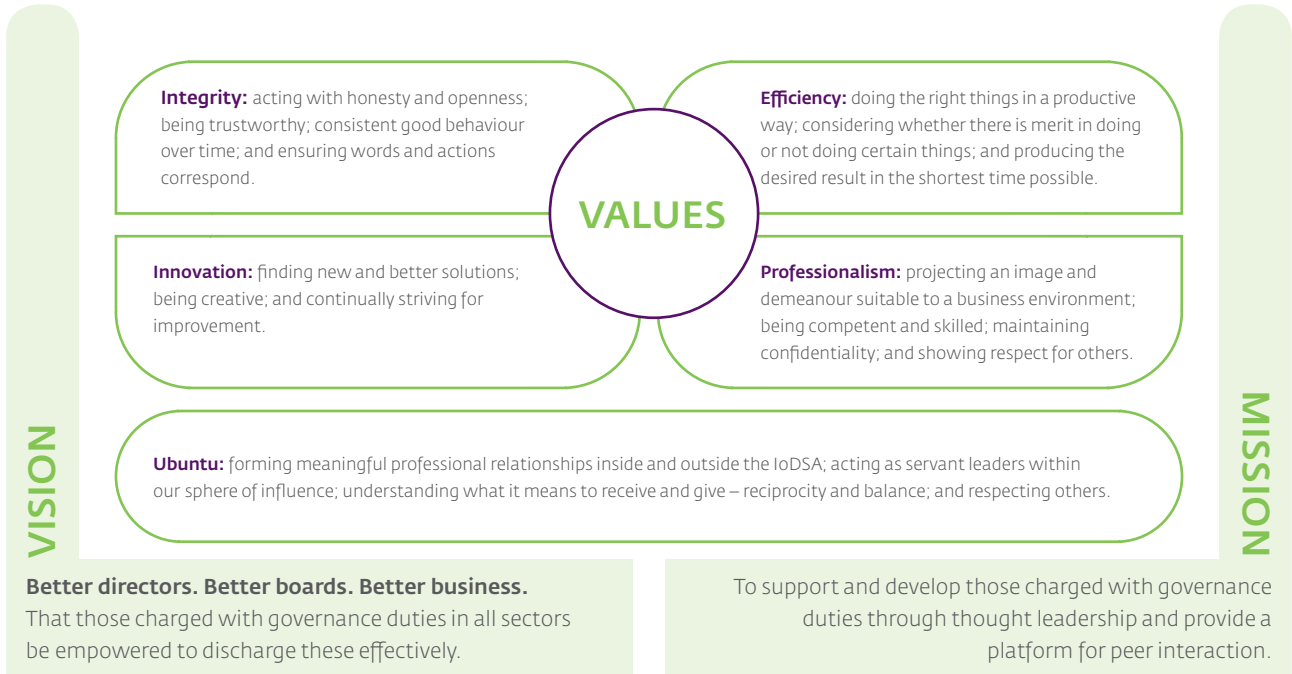
www.iodsa.co.za/?page=AGM2017 

Organogram

www.iodsa.co.za/?page=OwnershipStructure 

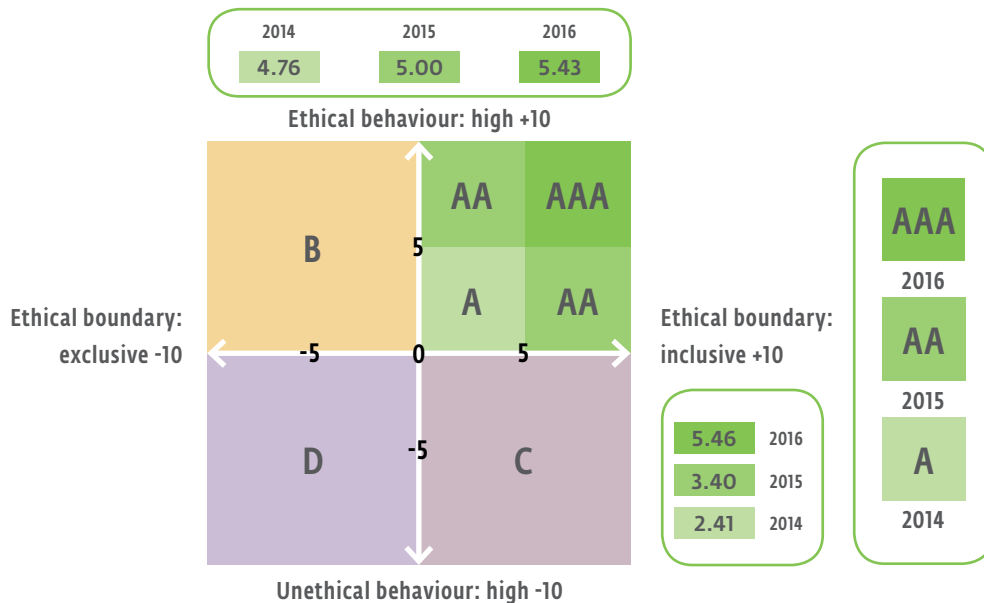
WHO WE ARE

The IoDSA is a professional body and a non-profit company (NPC) that exists to promote corporate governance, and to maintain and enhance the credibility of directorship as a profession. The IoDSA is recognised by the South African Qualifications Authority (SAQA) (ID: 422).



ETHICS

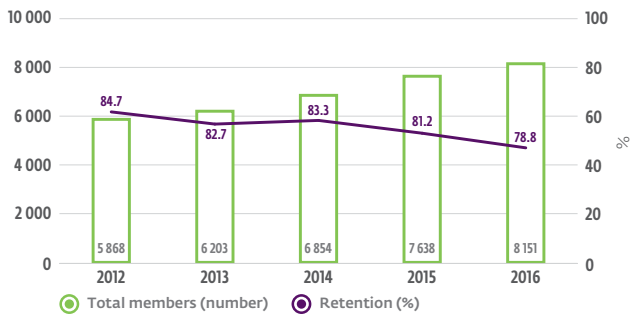
We review ethical behaviour annually using the ethics monitor tool to measure, monitor and report on our organisational ethics. The survey yielded positive results and has seen an improvement over the past three years.



WHO WE ARE CONTINUED

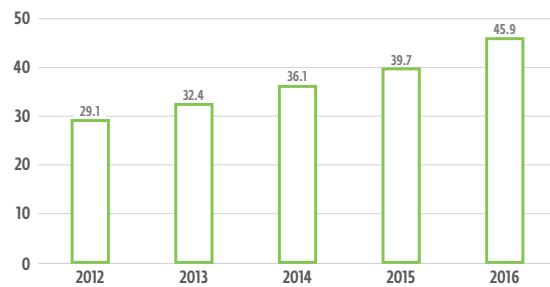
SNAPSHOT OF OUR PROGRESS

Members



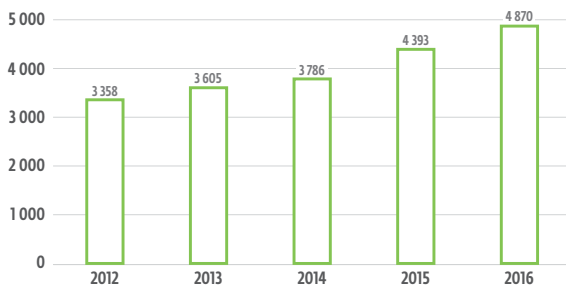
Member retention decreased in 2016 primarily due to economic pressures on members.

Revenue (R million)



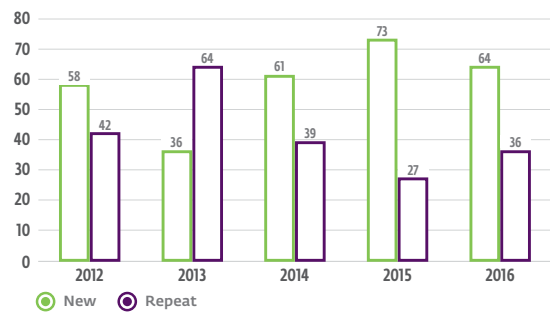
Revenue increased by 16% in 2016. The launch of King IV was a main contributor to the increase, as well as the increases in membership (7%) and Director Development (13%).

Total Director Development attendees



Delegate numbers increased by 11%. The IoDSA has trained 50 000 professionals since the inception of Director Development offerings in 2001.

Board Appraisal Services (BAS) – new vs repeat clients (%)



The number of repeat projects increased by 33%.

KING IV SNAPSHOT

King IV public commentary

18 676 document views

132 comment letters received

King IV launch event

1 412 attendees

144 publicity clips

#King IV Launch trending topic in South Africa on the day

“

The work of the King
Committee made us one
of the global standard-
bearers of corporate
governance.

MESSAGES FROM LEADERSHIP

“

The tumultuous changes in 2016 demonstrated how politics influence the global economy.



CHAIRMAN'S REPORT

Any organisation needs trust to maintain its social licence to operate. Organisations should act ethically and add value to society to build and maintain the trust of all stakeholders. This trust relationship is achieved through good corporate governance, thereby ensuring an organisation's success.

The widespread adoption of the King Code gives South Africa a competitive advantage over the global market. We must concede though, our country fails to use its corporate governance expertise and leadership effectively. Corruption hampers our country and needs to be dealt with. I am concerned that South Africans seem to believe that corruption is only a problem in the public sector, and the private sector is well governed. News reports of the Competition Commission's investigation of 17 banks, for allegedly colluding to manipulate the price of the rand, quash this belief. Recent cases of collusion in the construction and bread industries, among others, also prove otherwise.

As the owner and custodian of the King Reports, the leading provider of director training, and steward of the Chartered Director (South Africa) (CD(SA)) designation, the IoDSA is ideally placed to lead and support this change in mindset. King IV, which was published in November 2016, is a bold step toward the evolution of corporate governance.

I thank my fellow directors on the IoDSA Board for their collective wisdom and commitment, and the executive management and employees for their energy and diligence in advancing our work to realise the power of corporate governance in South Africa.

A handwritten signature in black ink, appearing to read 'Venete Klein'.

VENETE KLEIN
Chairman

STRATEGIC DIRECTION TOWARD 2020

The IoDSA's strategic objectives are set by the Board. They were critically reviewed during our 2016 Board strategy session to determine their appropriateness and relevance. Our eight strategic objectives remain unchanged and are aligned to the overall mandate and purpose of the organisation. We set key milestones to achieve by 2020.

STRATEGIC FOCUS	2020 VISION
 <p>1. Sustainable organisational development To sustainably grow the organisation.</p>	 <p>Achieve continual growth in revenue to reach an annual turnover of R55 million. Remain financially secure by maintaining appropriate reserves of at least six months' operating costs.</p>
 <p>2. Promote good governance practices To set principles, develop guidelines, and support the implementation of good governance practices.</p>	 <p>International recognition for King IV as a leading governance code.</p>
 <p>3. Develop the director profession To be the professional body for directors to develop the profession.</p>	 <p>Certify 350 CD(SA)s (cumulative to 2020).</p>
 <p>4. Committed and loyal membership To broaden our influence and reach by developing a committed and loyal membership base.</p>	 <p>10 000 members and an 85% retention rate.</p>
 <p>5. Increase the number of competent directors To provide learning and development opportunities that increase the number of competent directors.</p>	 <p>Recognise the progression of directors to CD(SA). 8 000 Director Development delegates.</p>
 <p>6. Build a credible and visible brand To build a credible and visible brand.</p>	 <p>90% score on our reputation survey.</p>
 <p>7. Collaboration between like-minded professional institutes To serve as a hub for collaboration between like-minded professional institutes</p>	 <p>Formal continuing professional development (CPD) recognition for IoDSA Director Development programmes and events.</p>
 <p>8. Be a role model for corporate governance and leadership To serve as a role model for corporate governance and leadership.</p>	 <p>Highest application of King IV. All IoDSA non-executive directors (NEDs) are CD(SA)s.</p>

For our performance against the strategy, refer to page 25.

MESSAGES FROM LEADERSHIP CONTINUED



King IV is a bold step toward the evolution of corporate governance.



FINANCIAL PERFORMANCE

Total revenue was R45 871 897 (2015: R39 730 352), and total expenses were R44 384 152 (2015: R36 877 926). Total funds and reserves were R 20 230 107 (2015: R18 742 362) and we remain in a strong financial position. Contrary to our expectations, we achieved a higher-than-expected surplus of R1 487 745 (2015: R2 852 426).

Refer to page 42 for the summary of our financial information.

OUTLOOK FOR 2017

The outlook for 2017 remains positive. Retention rates improved in the first quarter of 2017 versus the same period in 2016. Director Development programme attendance has grown, as have in-house bookings for the same quarter. We will focus our efforts on member engagement and consolidation in 2017.

THANKS

In closing, I wish to offer special thanks and appreciation to our Chairman, Venete Klein, who steps down from her role and from the Board in 2017. She has a legacy of high performance and constant improvement and will be missed. I also wish to thank our Board members for their ongoing commitment, and my executive team, Parmi Natesan and Daleen Henning, for their steadfast support and commitment in implementing our short and long-term plans.

To team IoDSA, thank you to each and everyone one of you, your individual and team efforts make the journey worthwhile.

And to our members, I thank you for committing to the objectives of the IoDSA and offering your valued support.

Yours in membership service,

ANGELA CHERRINGTON
Chief Executive Officer

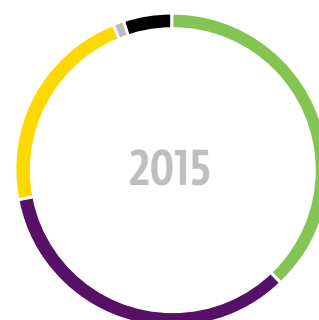
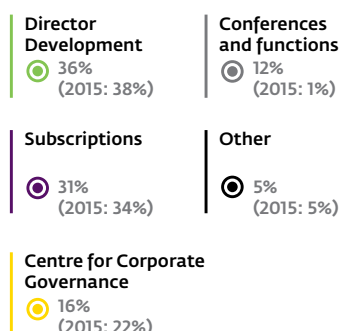
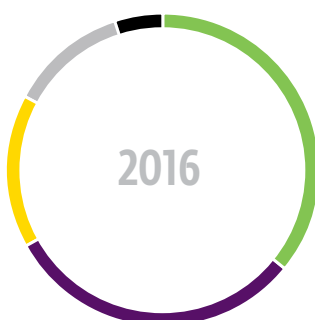
AN OVERVIEW OF OUR PERFORMANCE

CONTEXT OF OUR PERFORMANCE

We expected that our 2016 performance would be hindered by time and resources spent on the finalisation of the King IV project. However, we are encouraged by our overall growth in revenue of 17% (2015: 8.1%). Growth in membership was 7% (2015: 11.4%), however, economic pressure caused member retention to decrease.









Our two main service channels, Director Development and Centre for Corporate Governance (CCG), experienced growth. We continue to enhance our service offering with additional member benefits, and new programmes and services.

Revenue category (%)



PROGRESS TOWARD OUR 2020 VISION

We made good progress toward achieving our five-year goals. There are some areas where our progress was slower than anticipated, such as the increase in CD(SA)s and member retention for 2016. We made improvements where required, and aim to catch up progress in these areas during 2017.

2020 indicator	Strategic objective ¹								2016 progress	2017 goal
										
Revenue of R55 million per annum	*					*			R45.9 million	R47 million
350 certified CD(SA)s	*		*		*	*			11 new CD(SA)s Total of 56	37 new CD(SA)s Total of 93
Consistent member retention of 85%	*			*		*			78.8%	81%
Membership of 10 000	*			*		*			7% membership growth 8 151 members	7% membership growth 8 450 members
8 000 delegates	*		*		*	*			4 870	5 360
All IoDSA NEDs are CD(SA)s	*					*		*	6 CD(SA)s	7 NEDs to be CD(SA)s
Highest application rating for King IV	*					*		*	AAA	Early adoption of King IV
Launch of King IV	*	*				*			Successfully launched King IV	–
King IV penetration of the market	*	*				*			Four King IV training sessions	40 King IV training sessions Establish an endorsement recognition website and reporting
Established research centre	*	*				*		*	First Director Sentiment Survey Annual NED Fees Guide Inaugural African Governance Showcase	Annual Director Sentiment Survey Annual NED Fees Guide Second African Governance Showcase
Employer of choice	*					*			Positive results from employee component of reputation survey	Maintain positive reputation survey results Launch internal loyalty programme
Professional body engagement matrix	*		*			*	*		Four Independent Professional Body Forum (IPBF) meetings	Four IPBF meetings planned Formalised professional body engagement framework

¹ Legend:

1. Sustainable organisational development
2. Promote good governance practices
3. Develop the director profession
4. Committed and loyal membership
5. Increase the number of competent directors
6. Build a credible and visible brand
7. Collaboration between like-minded professional institutes
8. Be a role model for corporate governance and leadership



“

2016 was another milestone year in our 57-year journey with the release of King IV.

BUSINESS MODEL





Increase the number of competent directors



Build a credible and visible brand



Collaboration between like-minded professional institutes



Be a role model for corporate governance and leadership

This results in



- 253 Director Development training days
- 4 870 delegates attended programmes
- 11 new CD(SA)s

Refer to pages 30 and 32.

- 16% revenue growth

Refer to page 42.

- 7% membership growth
- 34 member events
- 19 NED vacancy notices
- Six projects to source potential candidates

Refer to page 25.

- Four *Directorship* magazines
- Three guidance papers
- Three governance newsletters
- 36 Board Appraisals

Refer to page 26.

Our impact



Our second online impact assessment determined our impact based on direct feedback from clients using the first survey in 2015 as the baseline.

Board Appraisal Services

Of the respondents to our IoDSA Board Appraisal, 94% reported that their boards' governance processes had improved (2015: 100%), some advised that recommendations were still being applied, 82% (2015: 81%) confirmed a positive change in strategic discussions, and 89% (2015: 71.5%) stated a positive change in interpersonal relationships.

Testimonies

"Recommendations from the Board Appraisal report have been implemented and progress on the action plan is being tracked quarterly."

"The appraisals by IoDSA continue to make us think about what we do as a board."

"People are now starting to be appreciative of their roles."

Director Development

100% (2015: 100%) of respondents stated that the in-house Director Development programme had a positive impact on their boards' governance practices, 94% (2015: 92%) confirmed a positive impact on their board/committee strategic discussions, and 100% (2015: 100%) stated a positive impact on their board committees' understanding of their roles.

Testimonies

"Always a valuable session with the Board and something that is on our annual calendar of events."

"The directors take comfort in practising good corporate governance when reiterated to them by credible organisations like IoDSA."

"We are now more geared towards governance and understand how vital this is to our organisation."

Membership

100% (2015: 91%) of respondents confirmed that their group or board membership positively impacted access to governance thought leadership, 100% (2015: 90%) stated a positive impact on strategic discussions, and 100% (2015: 82%) confirmed a positive influence on governance practices.

Some respondents stated that the IoDSA can still achieve more in terms of enhancing the member value proposition.

STAKEHOLDER LANDSCAPE

ENGAGEMENT STRATEGY

Stakeholder interaction is prescribed and guided by our stakeholder engagement framework. The IoDSA recognises that building relationships with our stakeholders is a key priority and feedback informs and influences our activities and initiatives. Ongoing engagement and feedback channels enable us to understand the needs of our stakeholders.

Our engagement strategy seeks to:

- **monitor** developments and our landscape;
- **engage** with the aim of influencing stakeholder perception;
- **partner** with like-minded parties; and
- **empower** those charged with governance duties or those who we can guide and develop with our overarching vision of **“Better directors. Better boards. Better business”**.

STAKEHOLDER LANDSCAPE AND HOW WE ENGAGE

Empower

Members

- Email, newsletters, and electronic and printed magazine
- Courtesy calls
- Networking events
- New member induction
- Annual reputation survey
- Annual General Meeting (AGM)
- Feedback mechanisms
- Website and member portal
- Social media

Employees

- Transparent reporting
- Weekly management and monthly employee meetings
- “Keeping you informed” emails
- Quarterly team building
- Employee wellness programme
- Employee survey
- Formalised performance appraisal process
- Informal interactions

Partner

Facilitators

- Facilitator meetings
- Informative emails

Professional bodies

- Quarterly IPBF meetings
- Regular interaction on various IoDSA forums and committees
- Informal networking and information sharing
- CEO lunch series

Partner and engage

Suppliers and vendors

- Supplier registration process
- Informal interactions

Engage

Business and industry

- Maintain formal associations through memoranda of understanding

Engage and monitor

Members

- Representation on various IoDSA forums and working groups
- Ad hoc one-on-one meetings and interaction
- CEO lunch series

Media






- Public relations agency
- Direct communication

Regulators and policy makers

- Representation on various IoDSA forums and working groups
- Ad hoc one-on-one meetings and interaction

MEETING STAKEHOLDER EXPECTATIONS

The table that follows sets out why our stakeholders are key to our value creation, and how engaging with them supports our strategic objectives.

Stakeholder group and our reason for engaging	Their expectations	Our 2016 activities	Connected to our strategic objectives ¹							
										
			1	2	3	4	5	6	7	8
Members Support, guide and develop members to strengthen our voice in the directorship space Ensure the sustainability of our subscription revenue	<ul style="list-style-type: none"> Benefits and value in return for their annual investment A platform to network and share views Receive relevant information 	<ul style="list-style-type: none"> Annual reputation survey 34 member events Member induction workshops Mentoring circle events Communication drive to upgrade to fellow membership Dedicated CD(SA) events 	*	*		*	*	*		
Employees Develop and retain talent Ensure we have a motivated and productive team that delivers professional support to our stakeholders	<ul style="list-style-type: none"> Ethical and supportive working environment Access to training and development Fair recognition and reward Job security 	<ul style="list-style-type: none"> Appointed a dedicated resource for human resource matters Retention survey Employee participation in annual reputation survey Annual ethics monitor survey Team member of the month and year awards Promoted wellness programme benefits Team lunches with the CEO 	*							
Facilitators Work with our team of specialists to ensure we deliver high-quality and relevant advice, thought leadership, and development programmes	<ul style="list-style-type: none"> Ability to influence or develop content Access to fee-earning activities Active engagement 	<ul style="list-style-type: none"> Facilitator CPD programme Supported our facilitators to achieve CD(SA) qualification Regular facilitator meetings Facilitator capacity building programme for King IV 			*		*			
Professional bodies Collaborate to enhance member benefits and extend our reach and influence	<ul style="list-style-type: none"> A mechanism to share information and best practice To offer reciprocal member benefits To partner on activities where member footprint overlaps 	<ul style="list-style-type: none"> Hosted four IPBF sessions Dedicated King IV sessions offered for current alliance partners Combined consultation with the South African Institute of Chartered Accountants (SAICA) on mandatory audit firm rotation Collaborated with and supported the Institute of Risk Management South Africa (IRMSA) risk lab programme Continued collaboration with The Ethics Institute on training 			*		*	*		

¹ Legend:

- | | |
|---|--|
| 1. Sustainable organisational development | 5. Increase the number of competent directors |
| 2. Promote good governance practices | 6. Build a credible and visible brand |
| 3. Develop the director profession | 7. Collaboration between like-minded professional institutes |
| 4. Committed and loyal membership | 8. Be a role model for corporate governance and leadership |

STAKEHOLDER LANDSCAPE CONTINUED

Stakeholder group and our reason for engaging	Their expectations	Our 2016 activities	Connected to our strategic objectives ¹							
										
			1	2	3	4	5	6	7	8
Suppliers and vendors Ensure that we have suppliers and vendors who support us in the value chain toward delivering quality products and services	<ul style="list-style-type: none"> Fair and transparent procurement processes Prompt payment for products and services 	<ul style="list-style-type: none"> Defined deadlines and processes to support prompt payments Ongoing vendor registration initiatives 	*					*		
Business and industry Provide us with greater exposure to the business community and extend our reach	<ul style="list-style-type: none"> A mechanism to share information and best practice Access to thought leadership and advisory services 	<ul style="list-style-type: none"> Business chamber participation invited for King IV stakeholder sessions Ad hoc partnering on events for members Reduced membership fees 						*	*	
Government Extend our reach and influence Provide us with greater exposure to the community and positively influence governance practices	<ul style="list-style-type: none"> A mechanism to share information and best practice. To promote good governance 	<ul style="list-style-type: none"> Continued participation by National Treasury and the Auditor-General of South Africa in our technical forums Commentary on relevant legislative circulars 		*				*		
Media Extend our reach and influence Enhance the perception of our role in governance thought leadership	<ul style="list-style-type: none"> Access to credible thought leadership that informs opinion and enhances public awareness 	<ul style="list-style-type: none"> Participation in media interviews Submitted various media releases for publication Dedicated media sessions on King IV 						*		
Regulators and policy-makers Stay abreast of changes or updates within the governance landscape and influence policy development	<ul style="list-style-type: none"> Good governance practice 	<ul style="list-style-type: none"> Financial Services Board (FSB), JSE Limited, Independent Regulatory Board for Auditors (IRBA), and Department of Trade and Industry participated in IoDSA forums Complied with the requirements of related laws and regulations 		*						*

¹ Legend:

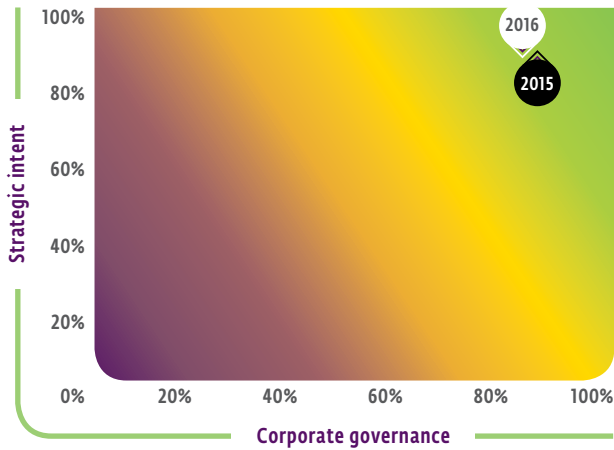
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| 4. Committed and loyal membership | 8. Be a role model for corporate governance and leadership |

REPUTATION AND SATISFACTION SURVEY

We recognise the need to review our understanding of the needs and interests of stakeholders. We used the Repudometer® measurement tool to conduct a comprehensive reputation and satisfaction survey. We conducted the first annual survey in 2015. This informed our strategy review and business planning processes, and guided decision-making.

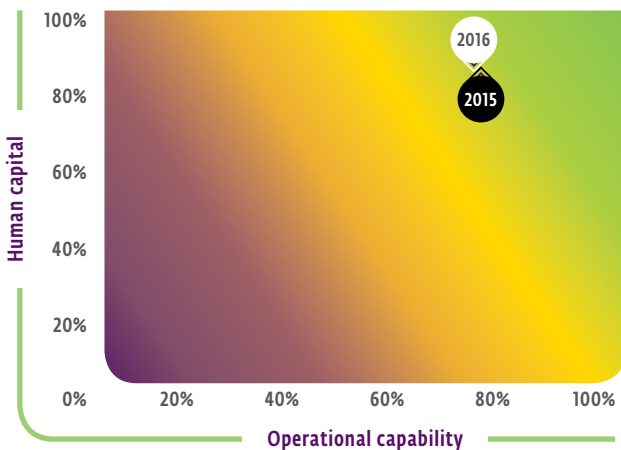
Our reputation score in 2016 improved to 85% (2015: 83%) which translates to “very good”. The business results element contributed the most to our score, indicating that stakeholders agree that we are transparent and ethical in our financial dealings, and our business growth is continuous. External dialogue contributed the least, indicating that stakeholders in general, do not believe that the IoDSA is doing enough to inform the public about the organisation and related member benefits.

Corporate management 88.0% (2015: 87.5%)



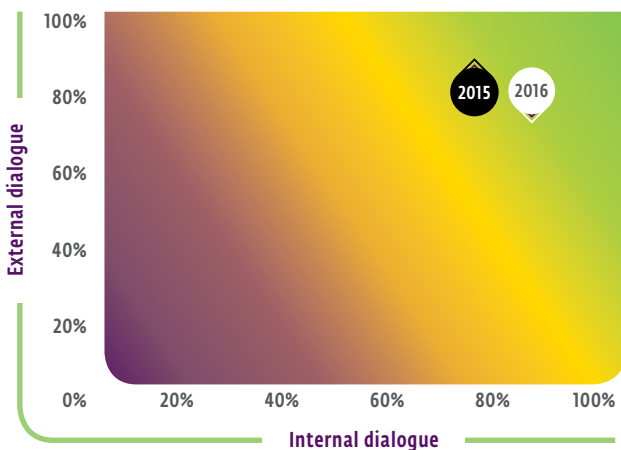
This dimension focuses on how the IoDSA is operated and managed. Both elements still scored well, which indicates that they improve the IoDSA. The strategic intent element measured our alignment to our core function of building better directors, better boards and better business. Corporate governance measured leadership, management and policies within the organisation. Per the analysis, stakeholders perceive management to lead by example.

Corporate capital 85.0% (2015: 85.5%)



This focuses on our people and their business tools. Both human capital and operational capability scored well. The human capital score indicates that stakeholders perceive employees to be well informed about the industry and understand their role within the IoDSA. The operational capability score indicates that, from an operational point of view, we can achieve our core focus and adapt to changes in the business environment.

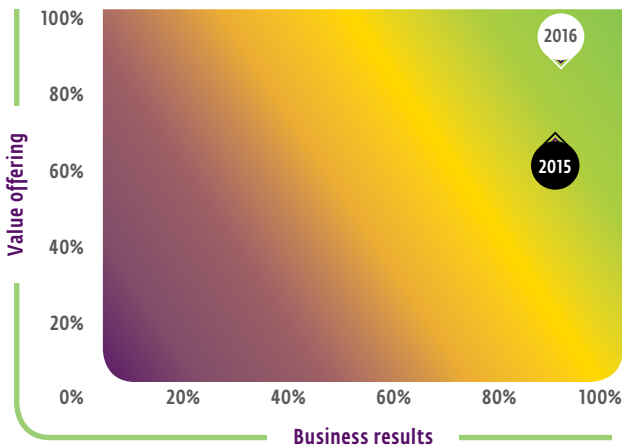
Corporate dialogue 80.0% (2015: 82.5%)



This focuses on all elements pertaining to communication. Internal dialogue scored well, and external dialogue scored the lowest of all the elements. The internal dialogue score indicates that the IoDSA's employees are well informed about the organisation and the industry, and we communicate effectively with employees. The external dialogue score indicates that we should better inform the public about the organisation, its membership benefits and events.

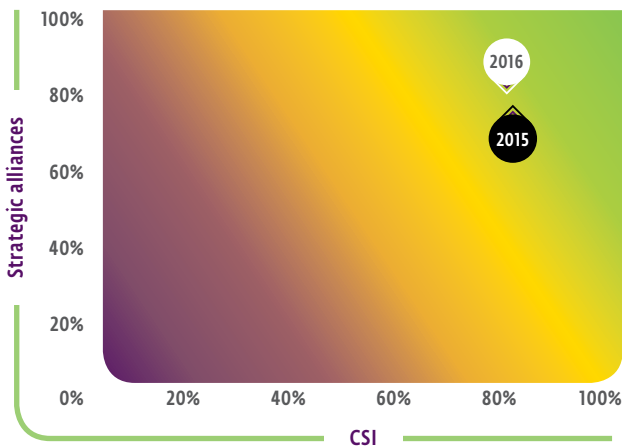
STAKEHOLDER LANDSCAPE CONTINUED

Corporate performance 89.5% (2015: 82.5%)



The business results element scored exceptionally well which indicates that stakeholders perceive our reporting to be open, honest and transparent. Value offering also scored well, demonstrating that stakeholders believe that the IoDSA's membership offers value for money.

Corporate positioning 81.5% (2015: 75.5%)

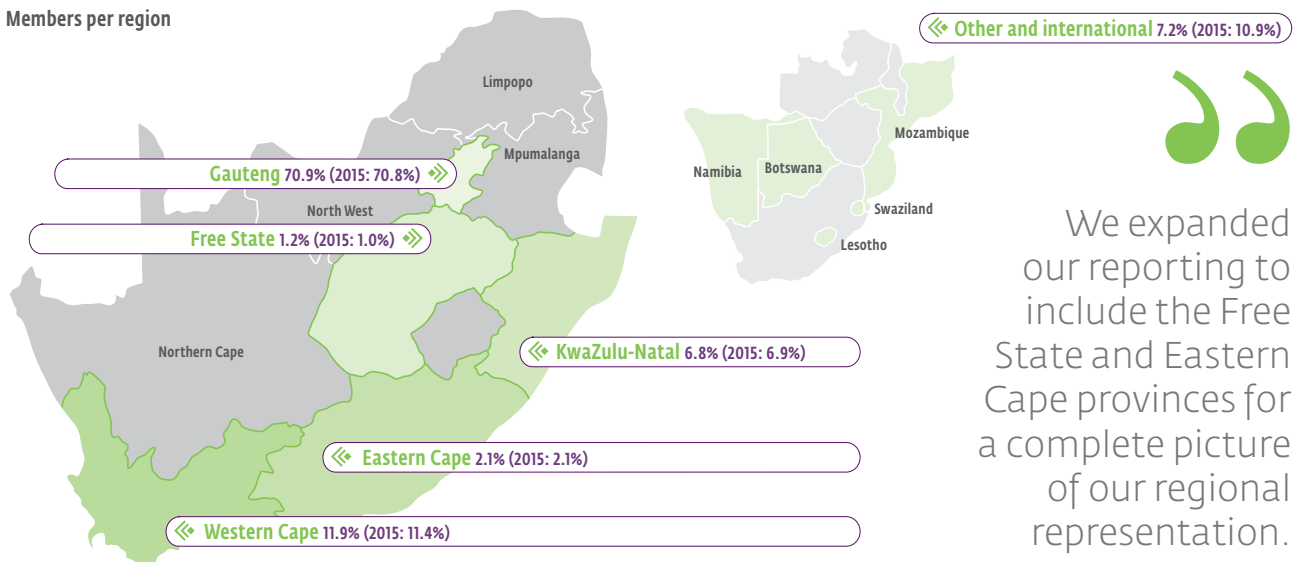


This focuses on the IoDSA's partnerships and social impact. The strategic alliances score means that stakeholders perceive the IoDSA to have sustainable partnerships in place that help the organisation to achieve its goals. In terms of the corporate social investment (CSI) score, stakeholders perceive the organisation's involvement in CSI projects are aligned to our core focus. There is room for improvement in both elements.

MEMBERSHIP PROFILE

We have 8 151 members (2015: 7 638) and our membership and Director Development footprint includes South Africa, Lesotho, Swaziland, Namibia, Botswana and Mozambique. Our membership profile is the same as 2015.

Members per region

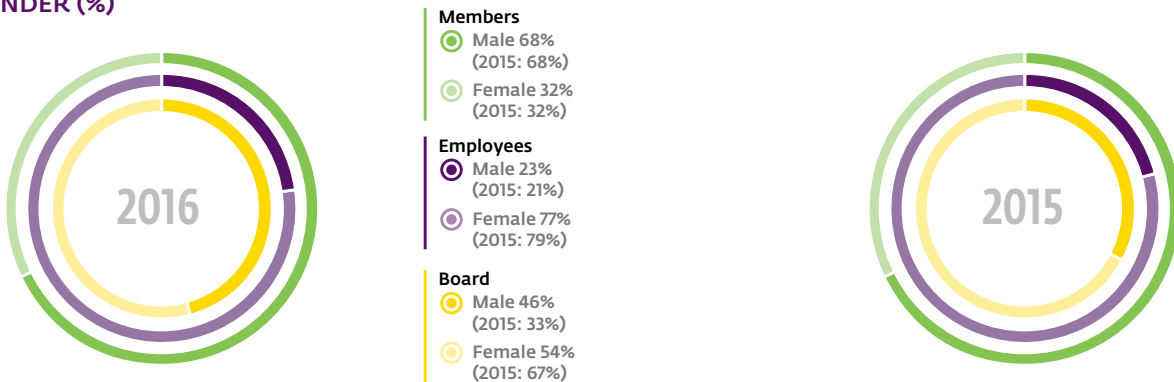


We expanded our reporting to include the Free State and Eastern Cape provinces for a complete picture of our regional representation.

Our members provided us with more information, which improved the accuracy of statistics. We still need to improve our knowledge of our members relating to sector representation, age categories and Board committees.

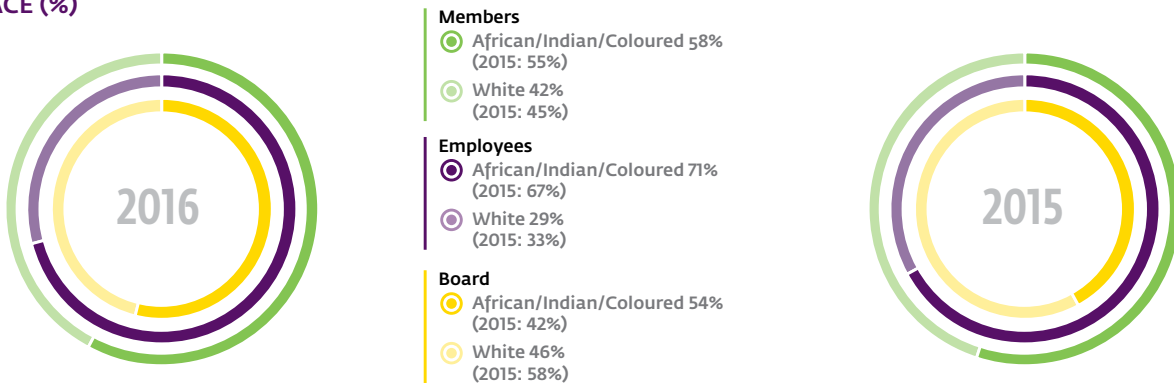
The following graphs provide a sample of membership representation.

GENDER (%)



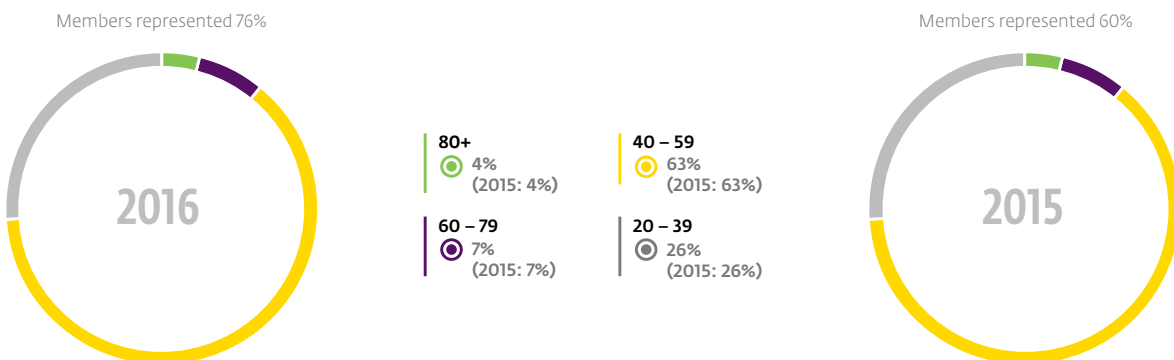
Our membership gender representation remained unchanged for the year. Board and employee female representation reduced marginally, but we still maintain a high female representation.

RACE (%)



African, Indian and Coloured employee representation improved.

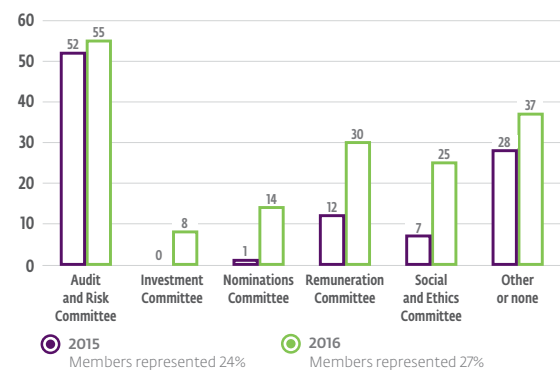
AGE (%)



SECTORS OUR MEMBERS REPRESENT (%)



BOARD COMMITTEE REPRESENTATION (%)



Member representation in both the non-profit and public sectors increased significantly.

STAKEHOLDER LANDSCAPE CONTINUED

WHY BECOME A MEMBER?



Alignment to our greater purpose

- Support **our purpose** and objectives
- Contribute toward ensuring our constituency **gives us a voice** and enables us to influence stakeholder perceptions

Access our thought leadership

- Ensure that you are informed on the **latest developments** in corporate governance
- **Access** our papers, technical newsletters and guidelines
- Participate in our **forum events** and research

Continuing professional development

- Commit to **life-long learning**
- Recognise directorship as a profession
- Support career pathway toward becoming a **CD(SA)**

Network with peers

- Maintain or expand **your network**
- Further enhance **your profile** for business opportunities
- **Share** experiences and practices, and broaden your perspectives through discussion

NED positions

- Receive our **NED** vacancy notices



The CD(SA) designation
needs to be established as
a benchmark of excellence
among directors.

Boards need to realise the
value of having CD(SA)s
as board members.

RISKS AND OPPORTUNITIES

RISK MANAGEMENT PROCESS

Management reviewed the risk register and risk management processes in 2016. The risk management process identifies all risks that will impact our ability to meet strategic objectives. Risks are ranked in order of priority, based on the evaluation of the likelihood of the risk occurring and the potential impact.

RISK GOVERNANCE STRUCTURE



RISK MANAGEMENT PROCESS

1	Establish the context of the risk	1. Set the stage for risk identification. Risk impacts our ability to achieve our strategic objectives, and contextualising these objectives is a prerequisite to identifying risk
2	Identify the risk	2. Generate a comprehensive list of risks and opportunities based on events that may positively or negatively impact the achievement of strategic objectives. The influence of the external and internal environment across the six capitals is considered when risks and opportunities are identified.
3	Evaluate the risk	3. Each risk is assessed considering the likelihood of occurrence and the severity of impact, also referred to as the assessment criteria. Evaluation includes the impact on: <ul style="list-style-type: none"> • the deadline for Board and executive to address the risk; • financial resources; • external environment; • our reputation; • regulatory requirements; and • management effort.
4	Respond	4. We plan our response to each risk by focusing on the high priorities. We formulate controls, and preventive and contingency plans to mitigate the risk.
5	Review and monitor	5. We calculate residual risk and determine if further action is needed.
6	Communicate and report to stakeholders	6. We communicate and deliberate at Board level and report to our stakeholders in this report.



MATERIAL RISKS AND OPPORTUNITIES

The top-five material risks are those that have the most significant impact on our ability to create value for our stakeholders and meet our strategic objectives. During 2016 we reviewed the risks impacting our business, bearing in mind current economic and business conditions. This resulted in changing the priority of certain risks.

Prioritisation changed as follows:

Risk description	2016 ranking	2015 ranking
Non-compliance with laws and regulations	8	1
Reliability and accessibility of data	6	3
Reliance on key external resources	10	4

Retention of key employees



Current risk ranking – 1 Previous risk ranking – 2	Definition Our small employee complement makes retention of key individuals critical, as many perform multiple tasks and objectives as set out in the business plan.
Risk owner – CEO	Principal causes <ul style="list-style-type: none"> • Competing with public and private sector remuneration • Inadequate succession planning • Lack of training and upskilling junior employees • Limited career growth opportunities • Insufficient skilled resources • Insufficient knowledge sharing
Strategic impact <ul style="list-style-type: none">  Sustainable organisational development  Promote good governance practices  Develop the director profession  Committed and loyal membership  Increase the number of competent directors  Build a credible and visible brand 	Potential impact <ul style="list-style-type: none"> • Inability to deliver on business plan • No service in the event of an employee's absence, resulting in dissatisfied customers • Losing key employees • High cost of recruitment • Low employee morale due to high turnover of employees • Cost of outsourcing
	Opportunities <ul style="list-style-type: none"> • Improve transformation and BBBEE rating • Career growth • New employees bring fresh ideas, which results in efficiencies and business development
	Mitigation strategy <ul style="list-style-type: none"> • Critical employee succession planning • Knowledge management policy • Benchmark remuneration • Formal exit interviews • Annual employee retention survey • Career growth path for employees • Employee wellness programme • Evaluate and schedule training and development

RISKS AND OPPORTUNITIES CONTINUED


Skills attraction

Current risk ranking – 2 Previous risk ranking – 6	Definition We struggle to attract skilled employees in the non-profit sector due to funding restrictions and limited growth opportunities.
Risk owner – Executive: Finance & Operations	Principal causes <ul style="list-style-type: none"> • Insufficient resources to ensure market-related remuneration • Inadequate recruitment processes • Changes in leadership creates uncertainty in the job market • Limited career growth opportunities
Strategic impact <ul style="list-style-type: none">  Sustainable organisational development  Promote good governance practices  Develop the director profession  Committed and loyal membership  Increase the number of competent directors  Build a credible and visible brand 	Potential impact <ul style="list-style-type: none"> • Loss of key employees • Poor service delivery • Reputational risk • Financial losses • High cost of recruitment • Inability to deliver on the business plan
	Opportunities <ul style="list-style-type: none"> • Committed and loyal employees • Exposure to high-profile directors and clients
	Mitigation strategy <ul style="list-style-type: none"> • Recruitment policy • Employee wellness programme • Benchmark remuneration • Employee retention survey • Review human resource policies and procedures

Intellectual property



Current risk ranking – 3 Previous risk ranking – 8	Definition We own various copyrights and trademarks that need protection. Copyrights and trademarks could be used without authorisation.
Risk owners – Executive: Finance & Operations and Executive: Centre for Corporate Governance	Principal causes <ul style="list-style-type: none"> • Inadequate communication of the terms of use of trademarks and copyright • Unauthorised use by competitors • Lack of monitoring the use of the copyright and trademarks • Non-renewal of trademarks • Lack of policy enforcement • Disregard of copyright and trademarks
Strategic impact <ul style="list-style-type: none">  Sustainable organisational development  Build a credible and visible brand 	Potential impact <ul style="list-style-type: none"> • Infringement of copyrights • Reputational damage • Financial losses • Legal costs • Loss of competitive advantage
	Opportunities <ul style="list-style-type: none"> • Brand and copyright awareness • Competitive advantage owning copyright
	Mitigation strategy <ul style="list-style-type: none"> • Review copyright and disclaimers • Use of copyright and trademarks indicated in engagement letters, proposals and contracts • Investigations of copyright breach and remedial action • Trademark register review and reporting • Intellectual property policy implemented • Delegation of authority

Economic conditions

<p>Current risk ranking – 4</p> <p>Previous risk ranking – 9 and 21</p>	<p>Definition</p> <p>As a voluntary organisation, insufficient funding is a risk in the current economic climate.</p>
<p>Risk owner – Executive: Finance & Operations</p>	<p>Principal causes</p> <ul style="list-style-type: none"> • Economic pressure or downturn in the economy • Products and services no longer relevant • Competitors entering the market • Poor cash flow management • South Africa's credit rating downgrade, resulting in economic pressure on customers • Poor government decisions impacting the economy • Impact of inflation and an increase in interest rates • Poor investment returns
<p>Strategic impact</p> <p> Sustainable organisational development</p>	<p>Potential impact</p> <ul style="list-style-type: none"> • Restriction on expansion and innovation • Retrenchments or loss of employees • Loss of potential business opportunities • Insolvency and liquidity challenges • Inability to meet the business plan <p>Opportunities</p> <ul style="list-style-type: none"> • Enhance member value proposition • Products and services charged at market-related prices • Facilitators are experienced directors <p>Mitigation strategy</p> <ul style="list-style-type: none"> • Regularly review investments and capital • Monitor financial progress and budget • Investment strategy and policy • Profitability analysis of programmes and services • Research member and market needs • Maintain strategic relationships

RISKS AND OPPORTUNITIES CONTINUED

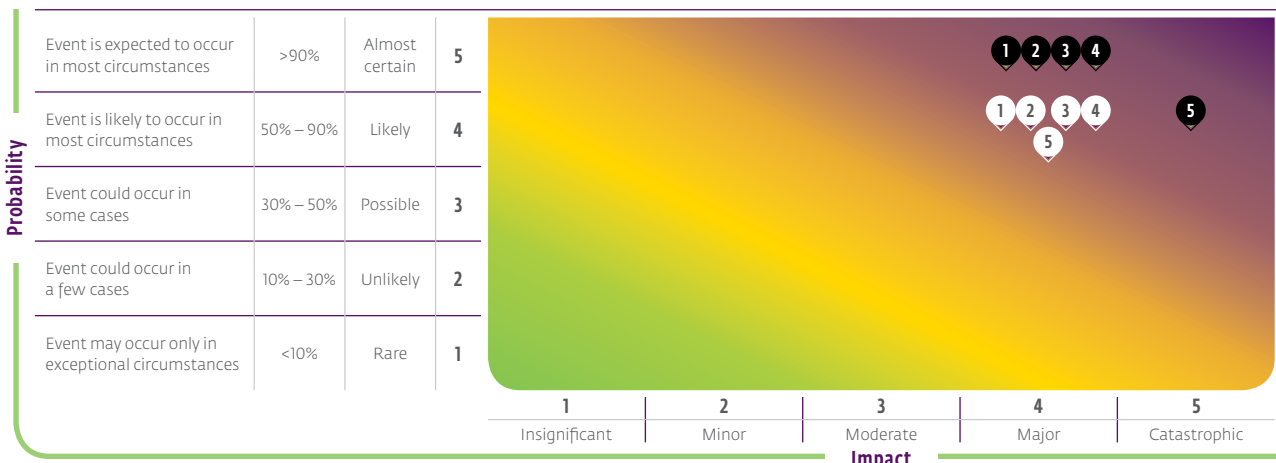
Information security and protection

Current risk ranking – 5 Previous risk ranking – 5	Definition Cyber security is a key risk in relation to our customer relationship management (CRM) system, which integrates most of our products and services, and the Protection of Information Act (PoPI Act).
Risk owner – Executive: Finance & Operations	Principal causes <ul style="list-style-type: none"> • Insufficient firewall and anti-virus programs • Non-compliance with PoPI Act • Ineffective backup and data security • Dependence on CRM system • Lack of internal training and awareness • Physical security effectiveness at premises • Lack of monitoring implementation of security policies and plans • Cyber attacks • Human error • Lack of funding for information technology (IT) systems
Strategic impact  Sustainable organisational development  Build a credible and visible brand	Potential impact <ul style="list-style-type: none"> • Reputational damage • Inability to continue business processes • Financial losses • Intellectual property theft
	Opportunities <ul style="list-style-type: none"> • Integrated products and services result in efficiencies • Targeted advertising to customers • Ease of communication
	Mitigation strategy <ul style="list-style-type: none"> • IT policy • IT governance framework and reporting • Measures for detection of breaches of security • IT strategy and risk register • IT insurance policy • PoPI Act implementation plan • Ongoing CRM training and support • Staff training on IT risks • Incident response plan • Service level agreements with IT service providers and third-party service providers

In 2017, we will amend our documents and processes to include the requirements of King IV.

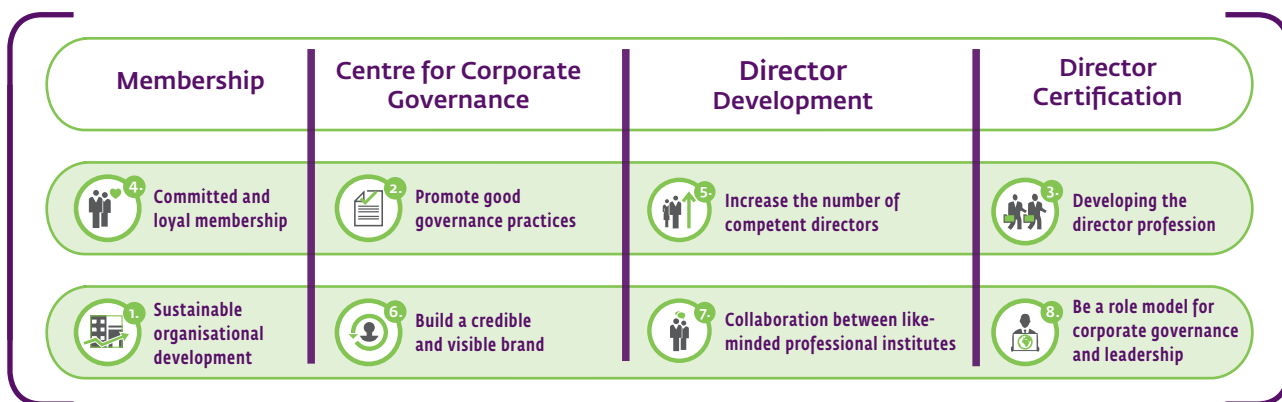
RISK MATRIX

The residual and inherent positioning of our top-five risks is depicted below.



PERFORMANCE REVIEW

Our performance discussion is structured around four primary service channels with the separation of Director Certification, which was previously included with the Director Development channel. The diagram below shows how the focus areas of our service channels align to our strategic objectives.



MEMBERSHIP

We had 8 151 members at the end of 2016. The retention rate decreased by 2.4% to 78.8%. This was due to an increase in resignations and suspensions resulting from the downturn in the economy. We focused on monitoring the integrity of our membership data, and members were proactive in updating their profiles, which improved the accuracy of membership statistics.

The launch of our new member benefit in partnership with BMW was announced at the year-end member event.

In 2017 we will further improve our customer service delivery. We will focus on expanding our value proposition by increasing the director lifestyle programme benefits.

Refer to page 16 for our membership profile.

EVENTS AND NETWORKING

The King IV Report launch enabled us to host the largest conference in the history of the IoDSA, attended by 1 412 delegates, special guests from the Global Network of Director Institutes, and highly respected speakers. We continued initiatives to enhance our regional presence by hosting 34 events (2015: 34) for members, with five events in Cape Town and seven in Durban. We endeavour to increase attendance at future regional events.

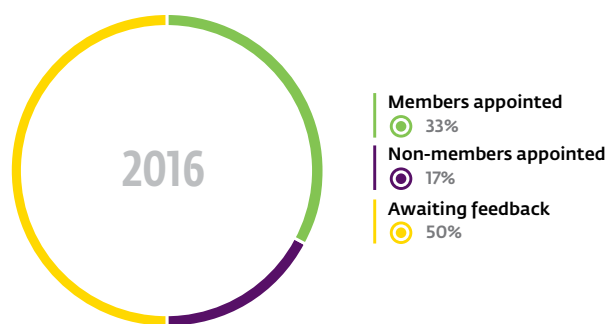
Key event initiatives were the King IV Report launch and the Annual General Meeting (AGM) luncheon, which both saw unprecedented attendance. We received positive member feedback on various events and our member induction sessions.

The annual IoDSA Executive Golf Day on 10 October 2016 was a resounding success. KPMG was the presenting sponsor, and we filled two courses and attracted more than 240 participants.

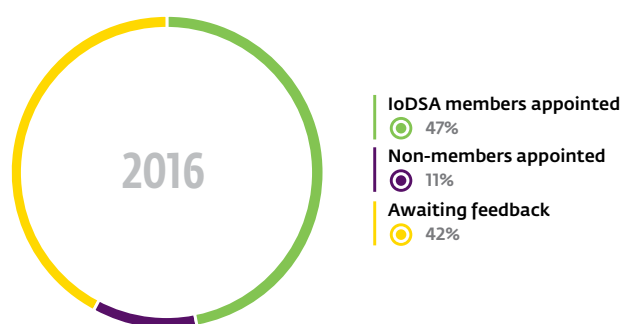
NED VACANCIES

The number of vacancies advertised and potential candidate searches decreased. We adjusted our approach in the latter part of the year to advertise all NED vacancies free of charge to promote the service and increase the number of opportunities for members. Curricula vitae uploaded onto the IoDSA database increased by 144% from 2015 to 815.

NUMBER OF POTENTIAL CANDIDATE SEARCHES – SIX



NUMBER OF VACANCY NOTICES – NINETEEN



PERFORMANCE REVIEW CONTINUED

ALLIANCES AND ASSOCIATIONS

We are formally associated with the professional bodies and business chambers below.

South African Institute of Chartered Accountants	The Institute of Internal Auditors South Africa	Institute of Risk Management South Africa	Association of Certified Fraud Examiners
Durban Chamber of Commerce and Industry	Cape Chamber of Commerce and Industry	South African Chamber of Commerce and Industry	Business Women's Association

CENTRE FOR CORPORATE GOVERNANCE

THOUGHT LEADERSHIP

Advocacy

We strive to comment on legal changes in the governance landscape affecting directors. During 2016 we liaised with the IRBA on mandatory audit firm rotation, which will continue in 2017. We submitted comments to the Department of Higher Education regarding the NQF Amendment; to SAICA on the Gauteng Department of Education Regulations; and provided comments and drafting assistance to the Department of Public Service and Administration on its *Guide for the Appointment of Persons to Boards and Chief Executive Officers of State and State Controlled Institutions*. We will continue to monitor the governance landscape for advocacy on policy matters affecting directors.

General guidance

We released three general guidance notes during 2016, on *Protecting your organisation's Intellectual Property*, *Director Misconduct* and an updated *Board Composition*, which considers the King IV Report.

To view our guidance papers, visit <http://www.iodsa.co.za/?page=Guidancenotes>

Governance guides

No governance guides were released during 2016 as the focus was on King IV and its sector supplements.

Articles and media releases

We produced and published articles and media releases to create brand awareness. The publications include: *Directorship®* magazine, the *Corporate Report*, *Business Brief*, *Professional Accountant*, *Municipal Services Magazine*, *Business Day*, *Business Report* and *Mail & Guardian*.

Governance matters

Production of our quarterly governance letter continued. Our newsletter is exclusive to IoDSA members. The themes for 2016 editions were "Compliance", "IT Governance" and "Risk". We plan to change the frequency of the newsletter from quarterly to an ad hoc governance bulletin for 2017. The bulletin will cover salient governance matters as they arise to ensure members are notified timeously.

Directorship® magazine

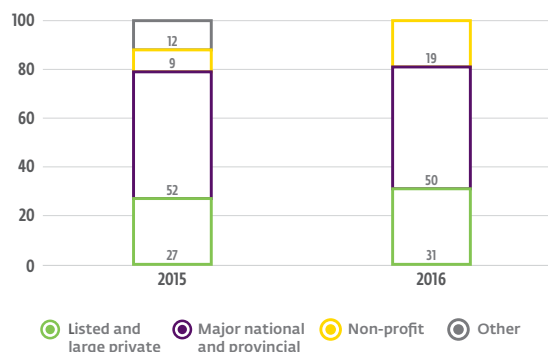
The focus of our quarterly member magazines for 2016 was King IV: its creation process, its history, and its impact on and role in the governance landscape. Other salient content included the global governance landscape, legal matters, shareholder primacy, leadership, ethics, small and medium enterprises (SMEs), strategy, business risk, and a list of relevant business and professional books. Our governance specialists

produced the "frequently asked questions" segments in each edition, dealing with salient matters raised by members via our complimentary member queries service.

BOARD APPRAISAL SERVICES (BAS)

We facilitate board self-appraisals to assist companies in meeting the King III recommendation of an annual evaluation of the board, its committees and the individual directors. In January 2016, we repackaged our BAS offerings. This resulted in clients increasing the scope of their appraisals. More clients opted for the cost-effective basic approval, which excludes interviews. Due to this, the number of appraisals completed and scope of appraisals increased by 9% from 2015, bringing total appraisals to over 200 to date. Appraisals in the not-for-profit organisation (NPO) space increased by 133%, and we undertook seven projects (2015: three) in the sector. Despite this, budgeted revenue was not reached.

BAS – % COVERAGE BY ENTITY TYPE



GOVERNANCE ADVISORY SERVICES

We conducted investigations to refine the free technical governance support provided as a member benefit and expanded fee-based advisory service offerings. We focused on developing the marketing and provision of advisory services as an integrated service offering to provide our clients with a complete value-added service.


Support queries answered in 2016 totalled 162 (2015: 157) with an average time of 18 minutes spent on each. Repeat member queries increased, and feedback suggests that members view the technical support assistance provided as beneficial. We did not meet our 2016 budget for fee-based service offerings. Lost proposals were mostly due to client budgetary constraints and members awaiting the launch of the new King IV Report.

Looking forward

In 2017 we will launch and market our new Advisory and In-house Director Development (Ad-House) service offerings. Ad-House combines training and advisory services in one package. We will continue to increase the value-add we provide to clients through our Governance Advisory Services.

FORUMS AND NETWORKS

We reviewed the performance of our forums in 2016, with a view to streamline their activities and continue working with the forum chairmen and sponsors to maintain relevance. This will become an annual process.

Forum	Purpose	Activities
The Audit Committee Forum (ACF) (sponsored by KPMG)	Promote the efficacy of audit committees through sharing knowledge with their peers, disseminating relevant information, and focusing on key performance areas	The ACF hosted four successful roundtable events, held in Johannesburg, Durban, Cape Town and Stellenbosch.
The Corporate Governance Network (CGN) (sponsored by PwC)	Provide directors and senior executives with the tools to understand and implement sound governance	The CGN worked on six position papers simultaneously, namely: <ul style="list-style-type: none"> • Communication with the board • The board's role in preserving the moral landscape • Cyber security • Succession planning for the board and the committees • Board mentorship • Representative shareholder activism Completion is planned for early 2017. Discussion events will be hosted in 2017.
The Sustainable Development Forum (SDF) (sponsored by Standard Bank)	Disseminate information on developments relating to sustainability issues through regular discussion events and when appropriate, publications	The SDF held two discussions: <ul style="list-style-type: none"> • Water scarcity and its impact on your business • How do King IV and the global goals connect?  Summary reports on these discussions are available online. Dedicated drafting resources will be used in 2017 to increase position papers.
The Remuneration Committee Forum (Remco Forum) (sponsored by EY)	Research and disseminate information on developments relating to remuneration committee issues through published position papers and discussion events	The Remco Forum produced one new guidance paper and hosted a roundtable event in Johannesburg on value creation and executive pay. <p>The Remco Forum hosted a discussion in Cape Town based on two previous papers:</p> <ul style="list-style-type: none"> • linking pay with performance; and • understanding value creation.
The Public Sector Audit Committee Forum (PSACF) (sponsored by National Treasury)	Facilitate guidance of and assistance to members of public sector audit committees	The PSACF working group members worked simultaneously on 10 position papers and completion is envisaged for 2017. The PSACF held a series of roundtable events in Johannesburg, Cape Town, Durban and East London on topics affecting public sector audit committee members.

PERFORMANCE REVIEW CONTINUED

Our participation in forums includes two international networks. The purpose for and objectives of these networks are outlined below.

Network	Purpose	Activities for 2016
Global Network of Director Institutes (GNDI)	Share knowledge and practices with like-minded institutes and provide members with access to international governance resources and events	The GNDI successfully hosted the annual GNDI Steerco meeting over the period of the King IV Report launch. Input was contributed on two position papers of the GNDI on renewing the board and cyber security. The 2017 GNDI Steerco meeting will be hosted by Russia and the IoDSA CEO will attend.
African Corporate Governance Network (ACGN)	Engage with contemporary African institutes of directors with the aim of enhancing effective corporate governance practices, and building better organisations and corporate citizens in Africa	ACGN successfully launched <i>State of Corporate Governance In Africa: An overview of 13 Countries</i> , held in Mozambique in February 2016.

RESEARCH

Three research projects were conducted in 2016:

- *NED Fees Guide* – this IoDSA and EY collaboration provides a useful reference point for benchmarking NED fees as disclosed by JSE-listed companies. The 2017 *NED Fees Guide* is due to be launched in October 2017.
- *Directors' Sentiment Index™ Report* – issued in July 2016 and considered the current perceptual position of South African directors on economic, business, governance and directorship conditions. An annual survey will track this sentiment over time. The 2017 *Directors' Sentiment Index™ Report* will be issued in the second quarter of 2017.
- *African Governance Showcase* – originally launched in 2015 with the winners announced in September 2016. The competition called for submissions of corporate governance case studies in Africa. A second competition will take place in 2017 with the continued support of the International Finance Corporation (IFC) and sponsored by the Swiss State Secretariat for Economic Affairs (SECO).

COMMITTEES

Committee	Purpose	Activities for 2016
King Committee	We are the convener and secretariat of the King Committee, which is responsible for the King I, King II, King III and King IV reports. We are unique in that we are the only directors' institute internationally that legally owns its national code of corporate governance. This is a position of privilege and a responsibility that we take seriously – to the extent that our primary objective is to promote corporate governance in South Africa.	The King Committee launched the King IV Report on Corporate Governance for South Africa 2016 on 1 November 2016. Refer to the King IV section on the following page for more information.
CRISA Committee	We are the convener and secretariat of the Code for Responsible Investing in South Africa (CRISA).	The CRISA Committee held a strategy meeting in November 2015 which led to the formation of the CRISA Task Team in 2016. The CRISA Task Team was mandated to produce a business plan of projects with the aim of meeting the objectives of the CRISA Committee. The business plan and its projects will be implemented in 2017.

THE KING IV™ JOURNEY

King IV follows an outcomes-based approach. This approach is evident in the foundation of the King IV Code, namely governance outcomes, principles and practices. The King Committee designed King IV to increase access to users across various sectors by:

- using vocabulary that applies to all types of organisations. King IV refers to “organisations” rather than “businesses” or “companies”; “governing bodies” rather than “boards”; and “those charged with governance duties” rather than “directors”.
- providing supplements to help organisations of varying sectors and types to interpret and implement King IV to suit their unique circumstances; and
- providing guidance on how to scale the recommended practices in line with the entity’s size and resources, and the extent and complexity of its activities.

Disclosure on the application of King IV is effective in respect of financial years starting on or after 1 April 2017, but early transition is encouraged. King IV replaces King III in its entirety.

Sponsorship from various organisations partly financed the drafting of the report.

Organisations who are members of the King Committee expressed their support through their public endorsement of King IV and its principles by permitting their logo to be displayed on the IoDSA King IV Endorsers webpage. All endorsements are offered on a voluntary basis and neither the IoDSA nor the King Committee has verified application of King IV.

King IV conference

The King IV Report on Corporate Governance for South Africa 2016 was launched at the Sandton Convention Centre. The event was attended by 1 412 registered delegates from 26 countries, and all nine South African provinces were represented. Dr Reuel Khoza, President of the IoDSA, opened the event. He was followed by the King Committee chairman, Prof Mervyn King.

Chief Justice, Mogoeng Mogoeng, delivered the keynote address. He was followed by Mrs Ansie Ramalho, who also

chaired an international panel from the United Kingdom, Canada, Germany, Brazil and New Zealand. Mr Kimi Makwetu spoke on behalf of the Auditor-General of South Africa. Mr Kumi Naidoo spoke from his perspective as a human rights activist and former Director of Greenpeace. David Lewis from Corruption Watch completed the line-up of speakers.

The King IV Launch was a landmark event for the IoDSA.

King IV mobile application

We simultaneously launched the King IV Report and access to the report via a mobile application (The King IV Report App). We aim to use this mechanism to take King IV and the IoDSA into the boardroom through technology. The King IV Report App will provide access to the three previous reports, related legislation, and any future practice notes.

King IV intellectual property protection

The IoDSA owns the copyright and various trademarks relating to the King IV Report and its predecessors. These rights are protected by legislation. In the past, we opted for a less restrictive approach on the protection and enforcement of our rights relating to copyright and trademarks. The IoDSA and its Board voted in agreement that a more active role and enforcement of the protection of our copyright and trademark rights is needed.

We revised our intellectual property policies, particularly relating to the King IV Report. On the advice of our legal counsel, we strived for a more robust approach to the enforcement of the protection of our intellectual property. The public had a mixed response, but we will continue to monitor this in 2017.

King IV financial impact

Sponsorship of some King IV project elements saw a small recovery of our significant investment. We have a fiscal responsibility to our members; and the cost recovery of elements of King IV allows us to fund the project without burdening our members. We anticipate that it may be another five years before we recover our investment. An initial summary of costs and revenue from the project inception in 2014 until 31 December 2016 is included on page 30.

PERFORMANCE REVIEW CONTINUED

King IV financial impact on IoDSA

Accounting effect on the financial position of the IoDSA	2016	Report		
		2015	2014	Total
Costs capitalised as an intangible asset	1 934 753	2 112 541	483 627	4 530 921
Income received in advance from sponsorships	(2 415 120)			(2 415 120)
Net asset position on financial position statement	(480 367)	2 112 541	483 627	2 115 801
Statement of profit and loss and other comprehensive income	2016	2015	2014	Total
Sponsorship income recognised	384 880			384 880
Amortisation recognised	(157 822)			(157 822)
Maintenance expenses				
Launch event ticket sales				
Expenses	(56 470)			(56 470)
Other indirect expenses				–
Nett effect on income	170 588	–	–	170 588
Impact on cash flow	2016	2015	2014	Total
Cash outflow from expenses	(2 036 105)	(2 112 541)	(483 627)	(4 632 273)
Cash inflow from sponsors	2 800 000			2 800 000
Net cash inflow/(outflow) from King IV Report	763 895	(2 112 541)	(483 627)	(1 832 273)

DIRECTOR DEVELOPMENT

We hosted 253 open and in-house programme days in 2016, with a total reach of 4 870 delegates, an increase of 10% from 2015.

OPEN PUBLIC PROGRAMMES

We successfully released a package deal offering in Gauteng, KwaZulu-Natal and Western Cape, offering a 15% discount on parts one to four of our "Being a Director" programme series. The series was fully booked for the year with an average of 20 to 25 delegates at each series. The number of cancelled programmes reduced by 52% to only 13 cancelled programmes for the year (2015: 27). In 2017 we will review our programme content to align the programmes to King IV and offer the insights to King IV programmes.

We aim to release new developments in 2017, such as:

- *Being a Director Part 5: Boardroom Theory into Practice*
This board simulation will demonstrate the application of learnings from *Being a Director* parts one to four, *Finance for non-Financial Directors* and *Governance of Ethics*.
- Online multiple choice questions (MCQs) based on the knowledge and learnings from the *Being a Director* series, *Finance for non-Financial Directors* and *Governance of Ethics*. A certificate of completion for each programme will be awarded on completion of the MCQs.

The aforementioned developments will form part of the pathway to our new Certified Director (Cert Dir) Designation, as discussed on page 32.

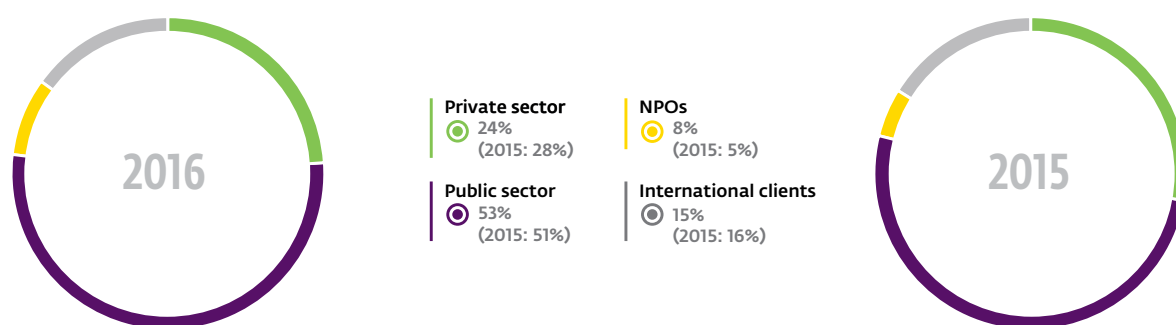
IN-HOUSE PROGRAMMES

We conducted 137 in-house programmes, a 7.9% increase from 2015. Our delegate numbers for the year increased by 10.8% to 2 569 (2015: 2 317). Due to the increased interest and requests for integrated reporting training from our members, we contracted a new specialist facilitator to provide training and advisory services in 2017.

We established three official King IV programmes to provide delegates with the foundation knowledge and understanding on how to interpret and apply King IV. Our focus for 2017 will be to market our sessions and Ad-House service offerings.

Mobile application		Launch event		Total			
2016	Total	2016	Total	2016	2015	2014	Total
500 733	500 733		–	2 435 486	2 112 541	483 627	5 031 654
(500 733)	(500 733)		–	(2 915 853)	–	–	(2 915 853)
–	–	–	–	(480 367)	2 112 541	483 627	2 115 801
2016	Total	2016	Total	2016	2015	2014	Total
17 267	17 267	800 000	800 000	1 202 147	–	–	1 202 147
(17 267)	(17 267)		–	(175 089)	–	–	(175 089)
(10 600)	(10 600)		–	(10 600)	–	–	(10 600)
	–	4 269 563	4 269 563	4 269 563	–	–	4 269 563
	–	(4 971 627)	(4 971 627)	(5 028 097)	–	–	(5 028 097)
	–	(200 000)	(200 000)	(200 000)	–	–	(200 000)
(10 600)	(10 600)	(102 064)	(102 064)	57 924	–	–	57 924
2016	Total	2016	Total	2016	2015	2014	Total
(10 600)	(10 600)	(5 171 627)	(5 171 627)	(7 218 332)	(2 112 541)	(483 627)	(9 814 500)
	–	5 069 563	5 069 563	7 869 563	–	–	7 869 563
(10 600)	(10 600)	(102 064)	(102 064)	651 231	(2 112 541)	(483 627)	(1 944 937)

COVERAGE PER SECTOR FOR IN-HOUSE OFFERINGS (%)



PERFORMANCE REVIEW CONTINUED

DIRECTOR CERTIFICATION

CHARTERED DIRECTOR (SA)

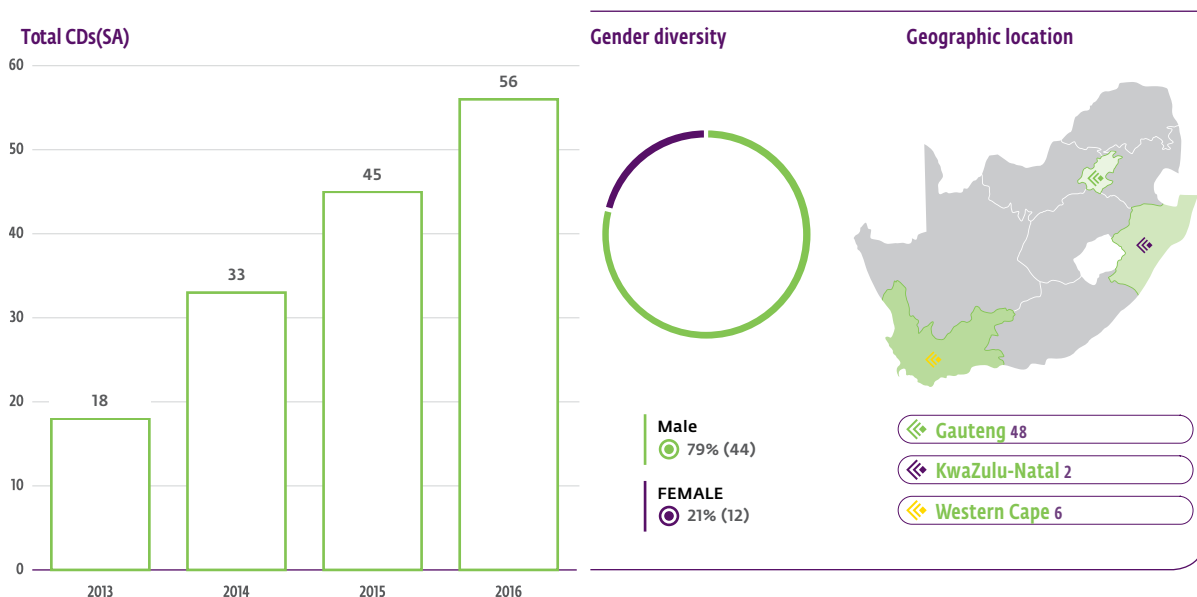
2016 is the first time that IODSA had a dedicated CD(SA) secretariat, allowing us to focus on marketing CD(SA) to our members. Six information sessions were presented in Johannesburg, Cape Town and Durban, attended by 187 interested candidates. Activities focused on building the community of qualified CD(SA)s and included three focused sessions and monthly email updates. Profiles of CD(SA)s were published in each of the four *Directorship*[®] magazines in 2016.

A comprehensive CD(SA) handbook was published and included all information pertaining to the assessment, CPD recognition, and revocation of the professional designation. The strategy in 2017 is to target individuals who qualify to register for the CD(SA) qualification and to raise awareness of the benefits of the designation.

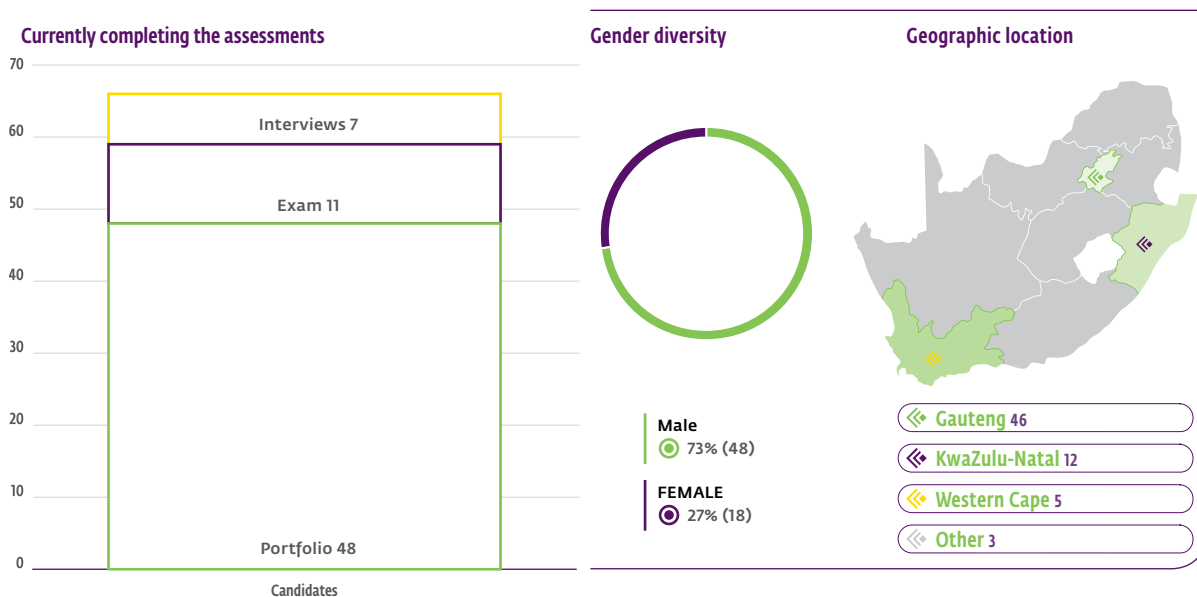
 To view the CD(SA) handbook, go to <http://www.iodsa.co.za/?page=CDSA>

There are 56 qualified CD(SA)s, 11 of whom qualified in 2016.

Current CD(SA)s: 56



Candidates: 66 in process



CERTIFIED DIRECTOR

During the information sessions, delegates raised the need to introduce an interim designation that could be used as a stepping stone towards attaining CD(SA) status. We will therefore re-introduce the Cert Dir designation in 2017.

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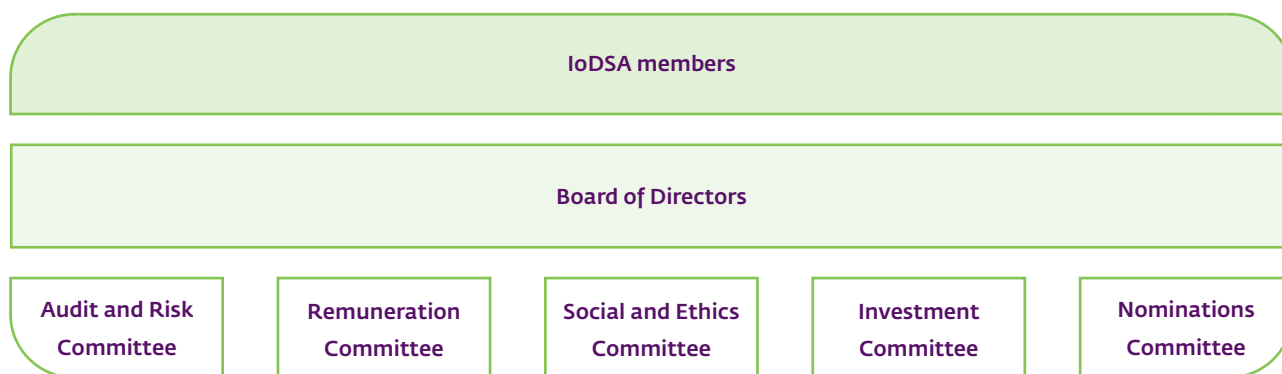
Our focus in 2017 will be on actively marketing our new integrated service offerings and increasing the value we add to clients through our Governance Advisory Services.

IODSA AS A GOVERNANCE ROLE MODEL

The IoDSA is an NPC in which members serve as owners of the organisation. Due to the dynamic nature of our membership, we do not have a set ownership structure.

The IoDSA is governed by a Board of Directors. The Board of Directors is elected from our membership at our AGM held in June. All active members have voting rights. The Board comprises a maximum of 15 members, elected without preference to geographical area or branch. A Chairman is elected from the Board members and the office of Chairman may not be held by any one individual for more than two consecutive three-year terms. Elected Board members serve for a period of three years. One third retires each year and directors are individually eligible for re-election for a further term.

GOVERNANCE STRUCTURE



We conducted an annual assessment of our own compliance with the principles of King III using the GAI. We maintained a AAA score, which is the highest application. We aim to early adopt King IV in 2017.

BOARD FOCUS AREAS

The Board's priority for 2016 was the successful completion and launch of King IV, which was an extraordinary project over and above our performance expectations for the year.

The 2017 objectives are to grow the CD(SA) designation and enhance IT and risk governance to align with best practice recommendations.

OUR BOARD



VENETE KLEIN 58

CHAIRMAN

Independent non-executive director

BOARD TENURE IN YEARS: 6

COMMITTEE

Nominations Committee (chairman)

QUALIFICATIONS:

CD(SA); certifications from GIBS and WITS University; international certifications from Harvard Business School, INSEAD, IMD and IDI



PRIEUR DU PLESSIS 61

DEPUTY CHAIRMAN

Independent non-executive director

BOARD TENURE IN YEARS: 4

COMMITTEES

Audit and Risk Committee

Investment Committee

QUALIFICATIONS

CD(SA); BSc (QS) (University of Cape Town); MBA (cum laude) (Stellenbosch University); DBA (Stellenbosch University); International Directors Programme (INSEAD)



JOHN BURKE 51

Independent non-executive director

BOARD TENURE IN YEARS: 8

COMMITTEES

Audit and Risk Committee (chairman)

Remuneration Committee

Investment Committee

QUALIFICATIONS

CD(SA); BComm (Hons) (RAU); HDip Corporate Law (RAU)



YOLAN FRIEDMANN 43

Independent non-executive director

BOARD TENURE IN YEARS: 5

COMMITTEES

Social and Ethics Committee

Audit and Risk Committee

QUALIFICATIONS

BA (Unisa); MSc (geography and environmental studies) (WITS); Dip (veterinary nursing) (UP); IoDSA Accelerated Directorship Programme; Management Development Programme (GIBS)

OUR BOARD



INGRID GOODSPEED 62

Independent non-executive director

BOARD TENURE IN YEARS: 3

COMMITTEE

Remuneration Committee
Investment Committee

QUALIFICATIONS

CD(SA); BCom (Unisa); BCom (Hons) (Unisa);
LLB (Unisa); MBL (Unisa)



SATHIE GOUNDEN 57

Independent non-executive director

BOARD TENURE IN YEARS: 4

COMMITTEES

Audit and Risk Committee
Investment Committee (chairman)

QUALIFICATIONS

CD(SA); CA(SA)



SANA-ULLAH BRAY 43

Independent non-executive director

BOARD TENURE IN YEARS: 1

COMMITTEES

Social and Ethics Committee
Remuneration Committee

QUALIFICATIONS

BA (LAW); LLB



PUMLA RADEBE 62

Independent non-executive director

BOARD TENURE IN YEARS: 3

COMMITTEES

Social and Ethics Committee (chairman)
Remuneration Committee

QUALIFICATIONS

CD(SA); BA Social Work (University of Fort Hare);
Board Leadership Programme (GIBS); Dip Policy
Development and Management (Regenesys
School of Public Management)



MUHAMMAD SEEDAT 34

Independent non-executive director

BOARD TENURE IN YEARS: 4

COMMITTEES

Remuneration Committee (chairman)
Audit and Risk Committee

QUALIFICATIONS

BCompt (Unisa); Professional Accountant (SA)



PATRICK KABUYA 47

Independent non-executive director

BOARD TENURE IN YEARS: 1

COMMITTEES

Audit and Risk Committee
Investment Committee

QUALIFICATIONS

MCom (IFRS); Bcom (Hons); FCPA(K); FCCA;
ACA (ICAEW)



ANGELA CHERRINGTON 44

CHIEF EXECUTIVE OFFICER

BOARD TENURE IN YEARS: 7

COMMITTEES

Social and Ethics Committee
Investment Committee

Invitee to: Audit and Risk Committee,
Remuneration Committee,
Nominations Committee

QUALIFICATIONS

Certificate in Management (Unisa); Corporate Governance Leadership Programme (Global Corporate Governance Forum)



DALEEN HENNING 39

Executive director

BOARD TENURE IN YEARS: 2

COMMITTEES

Social and Ethics Committee
Investment Committee

Invitee to: Audit and Risk Committee,
Remuneration Committee,
Nominations Committee

QUALIFICATIONS

CA(SA); BCompt Hons (Unisa);
BCom (NWU)



PARNI NATESAN 37

Executive director

BOARD TENURE IN YEARS: 2

COMMITTEES

Social and Ethics Committee
Investment Committee

Invitee to: Audit and Risk Committee,
Remuneration Committee,
Nominations Committee

QUALIFICATIONS

CA(SA); BCom Hons (NMMU);
BCom (Cum Laude) (NMMU)

IODSA AS A GOVERNANCE ROLE MODEL CONTINUED

BOARD MEETING ATTENDANCE

	Scheduled	Ad-hoc
Sana-Ulla Bray	2/3	1/2
John Burke**	1/4	1/2
Angela Cherrington	4/4	2/2
Prieur du Plessis	4/4	1/2
Yolan Friedmann	3/4	1/2
Ingrid Goodspeed	4/4	1/2
Sathie Gouden	2/4	1/2
Daleen Henning	4/4	2/2
Patrick Kabuya	2/3	1/2
Venete Klein (Chairman)	4/4	2/2
Marichen Mortimer (to June 2016)	2/2	1/1
Parmi Natesan	4/4	2/2
Pumla Radebe	4/4	1/2
Muhammad Seedat	4/4	1/2

BOARD TENURE

1 year	2 – 3 years	4 – 6 years	> 6 years
Sana-Ullah Bray	Pumla Radebe	Venete Klein	John Burke
Patrick Kabuya	Ingrid Goodspeed	Prieur Du Plessis	Angela Cherrington
	Parmi Natesan	Muhammad Seedat	
	Daleen Henning	Sathie Gouden	
		Yolan Friedmann	

** On sabbatical for six months

BOARD PERFORMANCE

The Board undertook a self-evaluation in 2016 and the overall scores for all sections were above satisfactory. The average overall rating for 2016 is 3.5, which is above that of the IoDSA NPC and the sector benchmark of 3.1.

The Board performed exceptionally, with few low-scoring areas. The lowest-scoring areas for further consideration are:

- Succession planning at both Board and management level should be more formalised and remains a challenge due to the size and nature of the organisation.
- IT governance requires constant review and monitoring.

The graph below compares the IoDSA score with the average scores of other non-profit entities in different governance areas.

BOARD PERFORMANCE (score out of 5)



¹ The NPC benchmark is determined from the average scores from Board Appraisal projects undertaken by the IoDSA in the non-profit sector.

SUBCOMMITTEE FOCUS

Audit and Risk Committee

Oversees financial and integrated reporting, assurance and risk management.

Executive directors attend all meetings by invitation and the designated auditor is a permanent invitee.

We, the Audit and Risk Committee, have discharged our responsibilities for the year per the formal terms of reference. We:

- are satisfied with the annual financial statements, accounting practices, budget and the internal financial controls of the IoDSA;
- are satisfied that the auditor, BDO South Africa Inc., is independent of the IoDSA;
- have reviewed the IoDSA's cash reserves;
- are satisfied that the expertise, resources and experience of the IoDSA's finance function are appropriate for the IoDSA's size and nature;
- have recommended this report to the Board for approval;
- are satisfied that the system of internal financial controls is sufficient, based on assurances from management and external auditors;
- are satisfied that no formal documented review of the system of internal financial controls was performed; and
- are satisfied that a formal internal audit function is not necessary given the size and nature of the IoDSA.

Members	Meeting attendance
John Burke (chairman)	2/2
Prieur du Plessis	2/2
Yolan Friedmann	2/2
Sathie Gounden	1/2
Muhammad Seedat	2/2
Patrick Kabuya	0/1
Invitees	
Angela Cherrington	1/2
Daleen Henning	2/2
Parmi Natesan	2/2

Social and Ethics Committee

Assists the Board in ensuring that the IoDSA meets legislative requirements in relation to the Social and Ethics Committee as set out in the Companies Act and Regulations, and oversees social and ethics matters affecting the IoDSA and its stakeholders.

Executive directors attend all meetings as members.

The Committee considered the following in 2016:

- The IoDSA compliance universe and reporting on the status of compliance against this universe
- Employment equity plan and progress
- Transformation and BBBEE progress
- High-level human resource policies and reporting
- Stakeholder engagement strategy
- Ethics survey findings
- Reputation survey findings.

Members	Meeting attendance
Sana-Ullah Bray	1/1
Angela Cherrington	2/2
Yolan Friedmann	2/2
Daleen Henning	2/2
Marichen Mortimer (to June 2016)	1/1
Parmi Natesan	2/2
Pumla Radebe (chairman)	2/2

IODSA AS A GOVERNANCE ROLE MODEL CONTINUED

Remuneration Committee

Assists the Board in ensuring that executives and employees are remunerated fairly and responsibly, and that disclosure is accurate and transparent.

Executive directors attend all meetings by invitation, but excuse themselves when their own remuneration is discussed.

The Committee considered the following:

- Implementation of remuneration policies, benefit structures and related costs concerning executive directors and other IODSA employees
- Approval of salary packages for and bonus payments to executive directors
- Ensured that key measures of the performance of the CEO are agreed and that the performance of the CEO is assessed annually
- Extension of the CEO contract term and succession plans
- Remuneration disclosure review to ensure that it is accurate, transparent and responsible.

Our NEDs are not remunerated. Executive directors' remuneration is disclosed in our annual financial statements.

 To view our audited annual financial statements, visit www.iodsa.co.za/?page=AGM2017

 To view our remuneration and bonus policy, visit www.iodsa.co.za/?page=AGM2017

Members	Meeting attendance
Sana-Ullah Bray	1/1
Ingrid Goodspeed	1/1
Marichen Mortimer (to June 2016)	1/1
Pumla Radebe	2/2
Muhammad Seedat (chairman)	2/2
Invitees	
Angela Cherrington	2/2
Daleen Henning	2/2
Parmi Natesan	2/2

Investment Committee

Assists the Board in oversight and monitoring relating to investment management activities.

Executive directors attend all meetings as members.

The Committee:

- reviewed the performance of the IODSA's funds;
- reviewed investment disclosure to ensure that it is accurate, transparent and responsible; and
- reported on the application of the investment policy to the Board.

Members	Meeting attendance
John Burke	3/4
Angela Cherrington	3/4
Prieur du Plessis	4/4
Ingrid Goodspeed	1/1
Sathie Gounden (chairman)	3/4
Daleen Henning	4/4
Parmi Natesan	4/4
Patrick Kabuya	0/1

Nominations Committee

Ensures the Board is appropriately comprised to enable it to effectively execute its duties, and that induction and ongoing professional development take place.

Executive directors attend all meetings by invitation. The Committee is chaired by the IoDSA Board Chairman and includes the chairmen of the Board subcommittees.

The Committee:

- reviewed the Board's performance;
- reviewed the composition of the IoDSA Board;
- recommended to the IoDSA Board the appointment and nomination of new directors in accordance with the approved process;
- reviewed the effectiveness of the induction programme for new directors;
- monitored the Board CPD requirements and policy; and
- reviewed the IoDSA succession planning framework.

Members	Meeting attendance
John Burke	2/2
Prieur du Plessis (to June 2016)	1/1
Richard Foster	0/1
Sathie Gounden (from June 2016)	1/1
Venete Klein (chairman)	2/2
Marichen Mortimer (to June 2016)	1/1
Pumla Radebe (from June 2016)	1/1
Muhammad Seedat	2/2
Invitees	
Angela Cherrington	2/2
Daleen Henning	2/2
Parmi Natesan	2/2

SUMMARY FINANCIAL INFORMATION

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2016

	2016 R	2015 R
REVENUE		
Bad debts recovered	34 668	–
Board Appraisal and Advisory Services	6 038 984	7 223 430
Chartered director	305 374	352 409
Conferences and functions	5 540 951	376 141
Director Development programmes	16 265 211	14 238 449
Forums	442 985	399 324
Governance assessment instrument	131 000	781 295
Investment income	1 092 296	1 059 377
King IV income	402 126	–
Marketing and advertising	234 923	457 959
Membership subscriptions	14 440 483	13 461 476
Publications and surveys	39 233	123 352
Research	238 195	135 685
Royalties	274 048	434 187
Sundry revenue	73 487	53 377
Total revenue for the year	45 553 964	39 096 461
Other		
Fair value adjustment of other financial assets	317 933	633 891
EXPENDITURE		
Accounting fees	22 277	27 565
Amortisation of intangible assets	174 788	–
Audit fees	259 006	219 996
Bad debts	104 274	71 583
Bank charges	184 814	161 086
Chartered Director	136 235	145 131
Computer and database development	624 164	840 710
Conferences and functions	6 121 962	721 425
Depreciation	578 651	483 464
Director Development programmes	1 736 401	2 035 237
Directors' emoluments: Executive directors	4 329 733	4 028 553
Facilitator fees	8 121 558	8 563 047
Forums	304 544	262 461
Governance assessment instrument	–	448 429
International conventions and conferences	316 596	118 304
Insurance and licences	156 095	139 332
Impairment and loss on disposal of assets	1 240	34 687
Investment charges	129 378	95 298
King IV expenses	82 345	–
Legal, consulting and trademarks	789 496	730 573
Mailing and postage	257 308	204 733
Marketing and public relations	1 391 874	1 610 947
Member benefits	1 830 836	1 700 860
Membership cards and certificates	237 704	136 810
Operating lease charges – office equipment	687 450	670 212
Printing and stationery	440 784	332 875
Rent and services	3 230 350	2 950 163
Research	223 595	228 825
Salaries, bonuses and welfare	10 002 959	8 275 522
Subscriptions and publications	247 695	158 417
Sundry expenses	1 013 598	1 057 796
Telephone and fax	349 832	197 280
Travelling and entertainment	296 610	226 605
Total expenditure for the year	44 384 152	36 877 926
Total comprehensive income for the year	1 487 745	2 852 426

STATEMENT OF FINANCIAL POSITION

at 31 December 2016

	2016 R	2015 R
ASSETS		
Non-current assets		
Furniture and equipment	1 840 927	2 074 212
Intangible assets	5 031 956	2 596 168
	6 872 883	4 670 380
Current assets		
Inventory	174 345	225 671
Trade and other receivables	2 788 936	2 703 376
Investments in collective investment schemes	21 378 579	20 228 313
Cash and cash equivalents	6 167 529	4 859 963
	30 509 389	28 017 323
Total assets	37 382 272	32 687 703
FUNDS AND LIABILITIES		
Funds and reserves		
Accumulated funds	20 230 107	18 742 362
Non-current liabilities		
Amounts received in advance	2 312 593	–
Current liabilities		
Trade and other payables	5 872 277	5 981 559
Provisions	1 289 043	1 709 766
Amounts received in advance	7 678 252	6 254 016
	14 839 572	13 945 341
Total funds and liabilities	37 382 272	32 687 703

STATEMENT OF CHANGES IN ACCUMULATED FUNDS

for the year ended 31 December 2016

	Accumulated funds R
Balance at 1 January 2015	15 889 936
Comprehensive income for the year	2 852 426
Balance at 31 December 2015	18 742 362
Comprehensive income for the year	1 487 745
Balance at 31 December 2016	20 230 107

STATEMENT OF CASH FLOWS

for the year ended 31 December 2016

	2016 R	2015 R
CASH INFLOW FROM OPERATING ACTIVITIES		
Cash generated by operations	4 004 786	932 545
Investment income	1 092 296	1 059 377
Net cash inflow from operating activities	5 097 082	1 991 922
CASH OUTFLOW FROM INVESTING ACTIVITIES		
Acquisition of furniture and equipment	(346 607)	(793 984)
Receipts from the sale of furniture and equipment	–	–
Payments for development costs of intangible assets	(2 610 576)	(2 112 541)
(Payment)/receipt (for)/from investments in collective investment schemes	(832 333)	1 100 504
Net cash outflow from investing activities	(3 789 516)	(1 806 021)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1 307 566	185 901
Cash and cash equivalents at the beginning of the year	4 859 963	4 674 062
Cash and cash equivalents at the end of the year	6 167 529	4 859 963

GLOSSARY OF TERMS

ACGN	African Corporate Governance Network
AGM	Annual General Meeting
BAS	Board Appraisal Services
CCG	Centre for Corporate Governance
CD(SA)	Chartered Director (South Africa)
CPD	continuing professional development
CRISA	Code for Responsible Investing in South Africa
CRM	customer relationship management
CSI	corporate social investment
GAI	Governance Assessment Instrument
GNDI	Global Network of Director Institutes
IoDSA	The Institute of Directors in Southern Africa NPC
IPBF	Independent Professional Body Forum
IRBA	The Independent Regulatory Board for Auditors
IRMSA	The Institute of Risk Management South Africa
IT	information technology
King III	King Report on Governance for South Africa, 2009
King IV	King Report on Governance for South Africa, 2016
NED	non-executive director
Nomco	Nominations Committee
NPC	non-profit company
NPO	not-for-profit organisation
NQF	National Qualifications Framework
PoPI Act	Protection of Personal Information Act
Remco	Remuneration Committee
SAICA	South African Institute of Chartered Accountants

iodsa.co.za

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